

QD MAR 24 2001

Before the State of South Carolina
Department of Insurance

STATE OF SOUTH CAROLINA
DEPARTMENT OF INSURANCE

In the matter of:)
)
Capital City Insurance Company Inc.)
)
3850 Fernandina Road)
Columbia, S. C. 29210)
_____)

SCDI File Number 106936

Consent Order
Imposing Administrative Penalty

This matter comes before me pursuant to an agreement entered into between the State of South Carolina Department of Insurance and Capital City Insurance Company Inc., an insurer licensed to transact insurance business within the State of South Carolina.

Capital City hereby admits, and I find as fact, that it failed to submit management agreements and lease agreements to the Department for approval and failed to notify the Department in its Annual Insurance holding Company Registration Statement of its sale of substantially all of its computer equipment to its parent company. Capital City has alleged that these violations of South Carolina statutes were completely unintentional. However, these actions are a direct violation of S.C. Code Ann. §§ 38-21-250 (2)(iv) (Supp. 2000), and 38-21-140 (3)(b) (Supp. 2000) and can ultimately lead to the revocation of the insurer's certificate of authority pursuant to S.C. Code Ann. § 38-5-120 (A) (2) (Supp. 2000) to transact the business of insurance within the State of South Carolina, subject to the insurer's right to a public hearing before the Administrative Law Judge Division.

Prior to the initiation of formal administrative disciplinary proceedings by the Department against it, Capital City and the Department agreed to submit the entire matter to me, along with their specific recommendation, for my summary decision. That consensual recommendation was that, in lieu of the Department's filing of a petition to revoke its certificate of authority to transact business as an insurer within the State of South Carolina, Capital City would waive its right to a public hearing, immediately submit an administrative penalty in the total amount of \$2,000.

S.C. Code Ann. § 38-21-250 (2)(iv) (Supp. 2000) in pertinent part states "[t]he following transactions involving a domestic insurer and any person in its holding company system may not be entered into unless the insurer has notified the department in writing of its intention to enter into the transaction at least thirty days prior thereto, or such shorter period as the director may permit, and the director or his designee has not disapproved it within such period...(iv)all management agreements, service contracts, and all cost sharing arrangements;"

S.C. Code Ann. §38-21-140 (3)(b) (Supp. 2000) in pertinent part states "[e]very insurer subject to registration shall file the registration statement on a form prescribed by the director or



Capital City Insurance Company Inc.

his designee, which must contain the following current information...(3)the following agreements in force and transactions currently outstanding or which have occurred during the last calendar year between the insurer and its affiliates;...(b)purchases, sales, or exchanges of assets;.. ”

After a thorough review of the matter, carefully considering the recommendation of the parties, and pursuant to my findings of fact, I hereby conclude as a matter of law that Capital City did violate S.C. Code Ann. §§ 38-21-250 (2)(iv) and 38-21-140 (3)(b) (Supp. 2000). Although I can now revoke the insurer's certificate of authority, I hereby impose an administrative penalty in the amount of \$2,000 against Capital City pursuant to the discretion provided to me by the State of South Carolina General Assembly in S.C. Code Ann. §§ 38-5-130 and 38-2-10 (Supp. 2000). This administrative penalty must be paid within ten days of my date and my signature upon this consent order. If that total amount is not paid on, or before, that date, then Capital City's certificate of authority to transact business as an insurer within the State of South Carolina will be summarily revoked without any further administrative disciplinary proceedings.

This administrative penalty has been reached by the parties as a result of negotiation and compromise, and in consideration of the internal corrective measures Capital City has taken to prevent this problem from recurring and of its assurance that it will in the future comply with South Carolina insurance statutes and regulations. By the signature of one of its officers or authorized representatives upon this consent order, Capital City acknowledges that it understands that this administrative disciplinary order is a public record subject to the disclosure requirements of the State of South Carolina's *Freedom of Information Act*, S.C. Code Ann. §§ 30-4-10, *et seq.* (1991 and Supp. 2000).

Nothing contained within this administrative disciplinary order should be construed to limit, or to deprive any person of, any private right of action under the law. Nothing contained within this administrative disciplinary order should be construed to limit, in any manner, the criminal jurisdiction of any law enforcement or judicial officer. Nothing contained within this administrative disciplinary order should be construed to limit the statutory duty, pursuant to S.C. Code Ann. § 38-3-110 (Supp. 2000), of the Director of Insurance, exercised either directly or through the Department, to “report to the Attorney General or other appropriate law enforcement officials criminal violations of the laws relative to the business of insurance or the provisions of this title which he considers necessary to report.”

It is, therefore, ordered that Capital City Insurance Company Inc. shall, within ten days of my date and my signature upon this consent order, pay through the Department an administrative penalty in the total amount of \$2,000.

It is further ordered that a copy of this consent order shall be immediately transmitted to the National Association of Insurance Commissioners for distribution to its member states.



Capital City Insurance Company Inc.

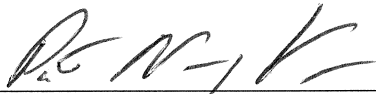
This consent order becomes effective on the date of my signature below.



Ernst N. Csiszar
Director

March 27, 2001
Columbia, South Carolina

I CONSENT:



Signature of Authorized Representative

PATRICK M. NAUGHTON

Name

VICE PRESIDENT & TREASURER

Title

Capital City Insurance Company Inc.
3850 Fernandina Road
Columbia, S. C. 29210

Dated this 24 day of March, 2001



Capital City Insurance Company Inc.